BEYOND THE TARGETS:

an ambitious agenda to put aid back on track

OXFAM

Aid can make a huge contribution to significantly reducing inequality. Given the widespread agreement that bringing down inequality is necessary to underpin efforts to end poverty, achieve gender justice and successfully fight climate change, there is an urgent need for donors to make this a priority in their aid policies. For this virtuous cycle to be effective, there is also an imperative to rebalance decision-making on aid, ensuring it is done in an inclusive way that centres Global South governments and civil society.

Building on the findings of the 2019 Oxfam report *Hitting the Target: an agenda for aid in times of extreme inequality,* this paper presents a new and updated agenda to put aid back on track given recent changes in the development landscape and the multiple crises facing our world. It makes 10 concrete recommendations on how to ensure development finance effectively contributes to building a more equal and sustainable world.

At the time of publishing this paper (March 2025), the future of aid and international solidarity is at huge risk with donors announcing an unprecedented wave of cuts. The extent and impact of these are still unfolding. In this context it is more important than ever to build consensus around a new agenda for aid. Oxfam strongly believes that governments have a moral duty to deliver on their promises, and to commit to a future for aid that ensures it meets its objectives of saving lives, eradicating poverty and extreme inequality, and promoting welfare and a more prosperous, peaceful world for all.

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Cover photo: Tahera (left), Hamida (center), and Samina Begum at the food bank. Each time they cook a meal, food bank members set aside a handful of rice, which they deposit in a safe canister once a month; they withdraw from the stores whenever they need to. Oxfam partner SKS supports food banks and other disaster risk reduction projects in Gaibandha, Bangladesh

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EXECUTIVE SUMMARY

We live in a world of growing instability and anger. Tensions between the Global South and rich countries are higher than they have been in decades, driven by the COVID-19 pandemic, soaring prices for food and other vital commodities, and the crippling cost of servicing debts. At the national level, as governments face increasing discontent and the majority of states are forced back into austerity, protests are a common occurrence.

Both national and global inequality have reached extreme levels; the World Bank[1] finds that just 8% of countries have low inequality, while all countries that struggle with high inequality, except for one, are in the Global South.

Yet the *Commitment to Reducing Inequality Index 2024*[2] produced by Oxfam and Development Finance International reveals negative trends in public policies to tackle inequality in the majority of countries since 2022. Four in five have cut the share of their budgets going to education, health and/or social protection; four in five have backtracked on progressive taxation; and nine in ten have regressed on labour rights and minimum wages.

Reducing inequality: the key to ending poverty and saving our planet

On current trends, extreme poverty will not be eradicated for 60 years.[3] The 2030 target will be missed by decades. But by reducing inequality, we can accelerate progress; the World Bank estimates that this target could be met 40 years earlier through a 2% annual reduction in the Gini index.[4]

We also live in a world where the climate crisis worsens each day. Its most severe impacts are felt in the poorest and most unequal territories, which also have the least resources to deal with them. Deaths from extreme flooding, for example, are seven times higher in more unequal countries.[5]

Again, tackling inequality can help to defuse this ticking timebomb. Evidence shows that reducing inequality decreases the level of economic growth needed to lift people out of poverty, meaning far lower energy and carbon use.[6]

The power of aid to reduce inequality and end poverty

Aid can and must play an essential role in reducing inequality between and within countries, contributing to a fairer and more sustainable world. Aid is the main redistributive, concessional tool that can put additional resources in the hands of poor countries to fight inequality without increasing debt or fiscal deficit. It is also a matter of justice, as the huge gap between historically rich nations and the Global South is itself the result of both past and ongoing exploitation.

Working together to set clear, time-bound targets to reduce inequality to a low level, both nationally and globally, should be the primary aim of governments everywhere. Prioritizing aid allocation to sectors that have proven effective in reducing inequality, such as social protection, health and education; supporting the mobilization of domestic resources through progressive tax reforms; and tackling the structural and root causes of gender inequality will all help to meet these targets.

What is needed is predictable and long-term aid, in support of national budgets and national plans to reduce inequality. This kind of aid is the most successful in saving lives and ending poverty quickly, and it will help rebuild support among the sceptical public in richer countries.

At the same time, there is an urgent need to stop the rapid dilution of aid. Donors should carefully avoid all aid modalities that exacerbate inequality. They must also ensure that the decision-making around both what counts as aid and how it is allocated is carried out in a more equal, democratic way, giving partner country governments and citizens more power in the process.

More ambition on aid quantity is also needed. The 0.7% aid commitment has been a useful way to encourage donors to step up their efforts and provides a target to hold them accountable to. But in reality, the majority of donors have fallen short of keeping this promise; in the years since, they have underpaid poorer nations US$7.2 trillion. And today, it is evident that the huge and escalating needs of Global South countries demand a new target that goes well beyond 0.7% of the Global North's gross national income (GNI).

In this paper, we present a new aid agenda for a new world. One that ensures aid is defined, designed and delivered as a powerful tool to reduce inequality. A vision that sees aid as a critical act of global solidarity, focused on building a more equal and sustainable future and consigning poverty to the history books. An agenda that ensures aid will play its vital role in closing the divide between rich countries and the Global South for the benefit of all humanity.

Recommendations: Oxfam's 10-point plan to make aid fit for the future

1. Set clear, time-bound plans to reduce inequality and fund a revolution in inequality data

To effectively address inequality, development actors need better tools to measure and evaluate their policies. Current indicators fail to capture upper-end disparities and are often not up to date. More accurate data would allow donors and recipient country governments to work together to set clear goals and time-bound plans to reduce inequality, and to measure and report on progress.

2. Invest in strengthening public services and social protection systems

Evidence shows that investments in health, education and social protection reduce the gap between rich and poor. Hence, aid for these inequality-busting sectors should be significantly increased, and donors should support a global fund for social protection that builds social protection floors in low-income countries.

3. Strengthen tax systems

Progressive taxation is vital to reducing inequality and hastening poverty reduction. Donors need to step-up their aid for Domestic Resource Mobilization (DRM) to at least meet the commitment made under the Addis Tax Initiative to mobilize US$441m a year in aid for DRM. They must also support a rebalancing of national tax systems towards progressive revenue raising and avoid incentivizing regressive taxes.

4. Put on feminist glasses: strengthen support for gender-transformative aid

Donors should adopt a transformative approach that goes beyond the idea of 'considering women', and sees them prioritizing aid investments that tackle the structural and root causes of gender inequality.

5. Support civic space to strengthen the citizen-state compact and reinforce democracy

Donors should support the protection and promotion of civic space as a key factor in strengthening democratic systems. Aid can play a role in these efforts through supporting civil society organizations (CSOs), especially local CSOs that are at the forefront of crises and in direct contact with communities.

6. Do not put aid at the service of private profit

When engaging with the private sector, donors need to make sure that development is put at the core of programmes' objectives. They must avoid investing in private companies for the provision of education and healthcare.

7. Do not instrumentalize aid

Donors must avoid using aid funds as a tool to pursue other domestic, non-developmental interests. This includes stopping the inclusion of in-donor refugee costs as aid – these costs do not contribute to meeting the fundamental objectives of aid.

8. Do not choose aid modalities that increase partner countries' debt

Grants should be prioritized, and the way aid loans are counted must be reviewed to ensure the actual grant component is not overstated.

9. Shift the power, decolonize aid

A fundamental reform to the current governance system of aid is needed – one that makes it possible for all countries, donors and recipients alike to participate in the decision-making process that defines aid.

10. Increase aid quantity commitments

The 0.7% aid target must be redefined as a floor, not a ceiling. It is the bare minimum donors should commit to in light of today's needs.

INTRODUCTION

Aid is already changing lives

Since its inception, aid has made a huge contribution to reducing inequality and poverty. Multilateral aid-backed initiatives like the Global Fund to fight HIV, Tuberculosis and Malaria have a recognized track record, with the organization saving more than 59 million lives since its creation in 2002.[7] Literature is also consistent about the positive impact of aid on economic growth.[8] For example, there is strong evidence that aid to Ghana has played a significant role on the country's sustained growth over recent decades, as well as on the reduction of poverty and inequality, improving people's lives.[9]

While aid alone cannot eradicate poverty and close the extreme gap between rich and poor, it can play an important catalytic role, unlocking the potential of people and countries to build their own way out of poverty.

But to do so, aid needs to be designed and implemented in a way that directly confronts the root causes of poverty. High inequality, both between and within countries, is one of the most pressing challenges of today's world and a crucial issue for aid to address.

Aid can play a pivotal role in addressing economic imbalances and building a fairer and more sustainable world. In turn, reducing inequality ensures aid has a greater impact, making every cent of aid more effective.

Inequality reduction: evidence and impact

Persistent high levels of inequality are undermining all efforts to reduce poverty and fight climate change. Today, close to 700 million people still live in extreme poverty[10], almost exactly the same figure as in 2019. Poverty levels resurged in 2020 due to the shocks of the COVID-19 pandemic, and although they have since started to decrease again, this trend is uneven: while high- and middle-income countries are now back at pre-COVID poverty levels, the gap is not closing in low-income countries.[11]

Poverty and inequality are two strongly linked phenomena. Research by the World Bank has found that only 8% of humanity lives in countries with low levels of inequality,[12] with all of the countries, bar one, experiencing the highest levels of inequality located in the Global South.[13] The richest 1% in Africa, Asia and the Middle East receive 20% of all income, almost twice the share that the richest 1% in Europe receive.[14]

And, while these figures are grim, the reality is likely even worse, as national data is often very outdated. For over 100 countries, the last formal measure of inequality predates 2020, and so does not reflect the impact of the COVID-19 pandemic and the ensuing global cost-of-living crisis and wave of austerity measures.[15] Oxfam and Development Finance International have used the latest budget data on the status of workers, taxation and public spending in 161 countries to present a more up-to-date picture. The *Commitment to Reducing Inequality Index 2024*[16] reveals negative trends on policies to tackle inequality in the vast majority of countries since 2022. Four in five have cut the share of their budgets going to education, health and/or social protection; four in five have cut progressive taxation; and nine in ten have regressed on labour rights and minimum wages. Nine out of ten countries have backtracked in one or more areas.

The climate crisis is also exposing and exacerbating extreme inequality. Its most severe effects are felt in the poorest and most unequal territories. For example, deaths from flooding are seven times higher in unequal countries.[17] The poorest countries and people, who have contributed the least to climate change, are hit hard and have fewer resources to deal with the effects, while rich people and nations bear the lion's share of the responsibility for the climate emergency and its mounting costs.[18] This shows a wilful blindness to the social, environmental and economic impacts that constitute the foundations of the current polycrisis.[19]

In addition, inequality is heightening the geopolitical tensions in today's world. There exists compelling evidence showing that more unequal societies tend to be much more politically polarized, often contributing to the rise of authoritarianism.[20] Addressing this damaging trend is crucial in the current global political context, marked by conflict and the deterioration of rules-based multilateralism. Increasing inequality is only adding fuel to the fire.

The way out: drastically reduce inequality

The good news is that there is a way out of this vicious cycle: reducing inequality has a profound impact on poverty reduction, on the fight against the climate crisis and on fostering a more peaceful and stable world.

For example, the World Bank estimates that reducing the Gini coefficient by 2% each year would triple the speed at which extreme poverty can be eradicated.[21] Tackling inequality can also deliver prosperity for all while reducing the impact on our planet: reduced inequality brings down the level of economic growth needed to lift people out of poverty, resulting in far lower energy use and carbon emissions.[22] More equal countries also fare better across a large range of important social indicators; they are healthier, happier and better educated.[23] Greater equality is also associated with lower levels of corruption[24] and stronger institutions.[25] More equal countries tend to have lower gender inequality.[26] They also have higher levels of trust,[27] lower levels of crime,[28] and are less authoritarian.[29] Rights and freedoms are more respected,[30] including freedom of the press.[31] All of these factors contribute to the creation of less polarized societies.[32]

Financing the solutions: the case for aid

Aid can play a vital role in building a more equal world. Among the plethora of tools that governments can use to respond to the needs and challenges facing people and the planet today, aid (also known as development assistance or foreign assistance), when used well, can be one of the most effective in reducing poverty and inequality both between and within countries. To date, aid remains the main redistributive, concessional tool that can put additional resources in the budgets of poor countries to fight inequality without increasing debts or deficits.

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Aid is also a matter of justice. The huge and unjust gap between rich nations and the Global South is in large part the result of both past and ongoing exploitation. The industrialized North became rich through plundering the resources of the Global South. And, despite the formal independence of former colonies, the dynamics of colonialism are replicated and reinforced through the current aid system; the main decisions are made by donors, who impose their vision of development, shaping its definitions and practices. History therefore makes a clear case for aid as a form of reparation, and for an aid system that tackles the inequality of past and present colonial dynamics.

Aid can also play a vital role in de-escalating growing geopolitical tensions. Not only because it can directly contribute to closing the economic gap that is at the root of increasing polarization within and between countries, but also because it can help rebuild trust between rich nations and the Global South. Aid that delivers effectively on its objective to slash poverty and contribute to the development of partner countries is a clear sign of goodwill and honest cooperation between North and South

.

However, putting aid at the service of donor countries' interests – especially when it comes to security and migration – will do nothing but widen the gap between rich countries and the Global South, fostering distrust and exacerbating the competition between superpowers which is the sign of our times.

In a context where debates move between 'decoupling' or 'derisking', good aid can be a tool for 'rewiring'; that is, rebuilding trust in an extremely fragmented world, and contributing to a more stable and peaceful world for all.

CHAPTER 1: THE POTENTIAL OF INEQUALITY-BUSTING AID

Aid has the potential to reduce inequality in ways that will benefit us all. But for it to realize this potential, carefully designed and ambitious reforms must be made to the way aid is currently allocated, implemented and defined.

In this chapter we look at the first element: aid allocation. Firstly, we provide an overview of the ways in which aid can tackle inequality when focused on specific sectors. Secondly, we explore some of the settings where aid should not go, highlighting the importance of avoiding risky, unproven aid modalities that exacerbate inequality.

1.1 Setting clear, time-bound plans to reduce inequality

Reaching the nearly 3.6 billion people living in poverty around the world[33] is the cornerstone of development cooperation. Although specific strategies are needed to identify and reach those living in poverty in different contexts, some common principles can and should be followed.

Getting aid to people living in extreme poverty

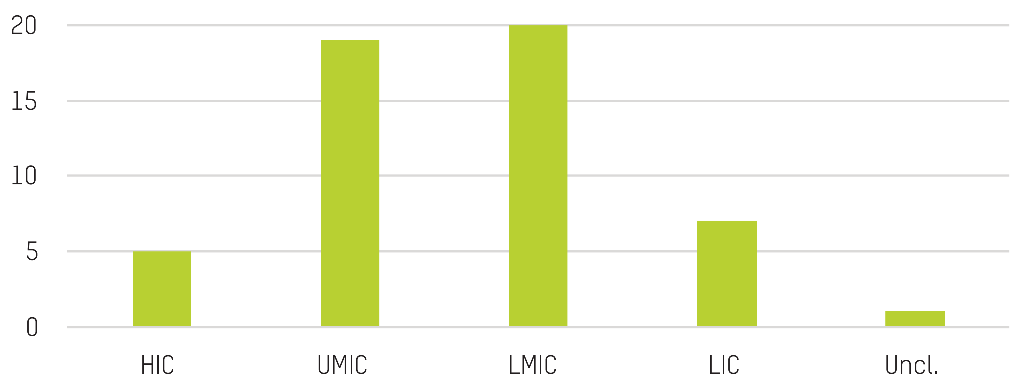
Prioritizing aid to countries with the least resources to tackle poverty and inequality – mostly Least Developed Countries (LDCs) and conflict-affected states – is key. According to the UN, LDCs are home to 13% of the global population but close to 40% of the world's poor[34]; yet bilateral aid to LDCs has stalled over the past decade. In 2022, the share of total aid going to LDCs was just 21%, the lowest level since 1996.[35] Today, aid to LDCs amounts to US$31bn[36], or less than 0.1% of donor countries' GNI, far from the 0.15-0.2% agreed target. Reaching this minimum target is of paramount importance.

Donors also need to ensure that they keep supporting other low-income (LICs), lower-middle-income (LMICs) and upper-middle-income countries (UMICs), where the majority of people living in poverty live, and where high levels of inequality persist.[37] Graduation from the LDC or LIC category, while important, does not mean that a country is not experiencing high poverty and extreme inequality levels. According to the World Bank's new inequality indicator,[38] 39 out of the 52 countries classified as high inequality are in fact middle-income countries, including the top 9 in the list (see Graph 1).[39]

The importance of measuring inequality correctly

Another important step in putting aid on the right track is equipping development actors with the

Graph 1: Number of High Inequality countries by income group



Source: Own calculation based on World Bank's Poverty and Inequality Platform (PIP) right tools to measure inequality, create plans to reduce it, and evaluate the impacts of their policies.

Alongside partner country authorities, multilateral organizations, and civil society, donors can play a key role in helping countries establish clear, realistic, and time-bound targets to reduce inequality. For example, they can target specific reductions in the Gini coefficient (0.3 or below) and Palma ratio (1 or below).[40][41] However, for this to occur, a revolution in inequality data is needed to allow for a more accurate measurement of all aspects of economic inequality. Aid can help fund this. There is also a need to continue strengthening and reinforcing capacities to measure inequality from a multidimensional perspective, for example with Oxfam's Multidimensional Inequality Framework (MIF)[42], or similar tools developed by other institutions like the EU Multidimensional Inequalities Monitoring Framework (MIMF).[43]

In addition, and in line with the recommendations of the UN[44], it is vital that all states work toward more accurate data by regularly collecting and using gender-disaggregated data. Data paucity remains one of the biggest challenges in understanding the impact of social and economic policies on women, girls and non-binary people. Aid can play a role here too in terms of what it prioritizes and what it counts, and it can also invest in collecting data to drive more accurate and effective decisions. Existing measures to help assess gender inequality, such as the UNDP Gender Inequality Index[45], could be harnessed by donors when targeting gender inequality.

Other existing tools could be scaled up with adequate support. For example, the Systematic Country Diagnostics by the World Bank;[46] the Commitment to Equity Assessment methodology,[47] which assesses the impact of fiscal policies (also used widely by the World Bank); and Oxfam's Commitment to Reducing Inequality Index (CRI).[48]

All of this would give donors a far more realistic picture of the levels of poverty and inequality within a country, enabling them to make aid allocation decisions accordingly. It would also provide them with data and tools to improve the inequality-reducing potential of aid in the future, and to measure and report on progress.

Box 1: Making the case for general and sectoral budget support

For over two decades, there has been wide consensus about the impact and benefits of providing aid through budget support;[49] that is, through a direct financial transfer to the recipient country's national budget. It is one of the best ways to deliver aid based on development effectiveness principles,[50] as it ensures policy dialogue and alignment with partner countries' own plans and priorities, reduces transaction costs and fragmentation, and fosters better governance and strengthened institutions.

Budget support can be provided as an unearmarked contribution to the partner country's government budget (general budget support or GBS) or as part of a specific dialogue focusing on certain sectors (sectoral budget support or SBS). Traditionally, the latter has been the preferred modality – based on available data[51], it represents 68% of all budget support aid on average over the past five years.

Regardless of the modality chosen, what is clear is that budget support has translated into increased public spending on key inequality-busting sectors, such as education and health.[52] It also has positive effects on the quality of budget planning and transparency, and strengthens accountability of partner countries' governments.[53]

Despite this evidence, the percentage of aid provided in the form of budget support is not increasing. In fact, after a significant peak in 2020 when it reached almost 6% of total bilateral aid and 32% of aid from multilateral agencies – as part of their response to the pandemic – both GBS and SBS decreased in the following years. As of 2025 they comprise around just 3% of donors' bilateral aid and 25% of aid from multilateral agencies[54] (the latter traditionally being the main providers of budget support).[55]

1.2 Prioritizing aid to sectors that have proven effective in reducing inequality

It is crucial to ensure aid goes to the sectors that play a catalytic role in reducing inequality. There is abundant literature around how universal public services and widescale social protection programmes reduce inequality levels by lifting people out of poverty and allowing for a more progressive income distribution[56,57]. The same goes for the positive impact on both income and wealth distribution that comes from adopting progressive tax reforms[58,59,60]. In the following sections, we dive into both the importance of these policies in reducing inequality, and the specific uses aid can have in supporting these efforts.

The impacts of aid on strengthening public services and social protection

Compelling evidence exists around the clear impact of free public health and education systems and social protection measures on significantly reducing inequality. For one, countries that allocate a higher proportion of their GDP to social protection generally have greater income equality.[61] Evidence also shows that public services mitigate the impact of skewed income distribution, allocating virtual income progressively. In other words, they effectively lift the incomes of people living in poverty and reduce income inequality.[62]

According to research on OECD countries, publicly-provided services can reduce income inequality within a country by between one-fifth and one-third.[63] The same study shows they can also significantly reduce poverty, and that education and health have by far the highest effect on poverty reduction among public services.[64] Evidence from the IMF and a number of regional studies also highlight that public services have the same inequality-reducing effect in low-income countries.[65] In addition, World Bank research puts quality education and reducing disparities in access to healthcare as the key to building productive capacities that help equalize opportunities.[66] There is also a vital contribution made towards reducing gender inequality; women and girls living in poverty stand to gain the most from high-quality, universal and equitable public services and social protection.[67]

Of course, of equal importance is the right of every person on the planet to access quality essential public services such as healthcare, education and social protection, as enshrined in the Universal Declaration of Human Rights (art. 22, 25 and 26) and in the International Covenant of Economic, Social and Cultural Rights (art. 9, 12 and 13). The latter also calls on national efforts and international cooperation to fulfil this right. However, the difference between these pledges and the reality on the ground is striking. Today, more than 50% of the world's population, or 3.8 billion people, do not receive any form of social protection.[68] 251 million children and young people are still out of school.[69] And millions of people are being pushed into poverty due to out-of-pocket payments for healthcare.[70] Several factors play a role in this failure: from the simple lack of political will; to more structural obstacles such as high informality rates, gender inequality, and a lack of administrative capacity in many low- and lower-middle-income countries. Lack of resources is also a significant barrier to scaling up and achieving universal equitable access and quality.

International cooperation can play an important role in strengthening public services and social protection systems in those countries most affected by poverty, as well as in overcoming the shocks of sudden crises, as we saw during the COVID-19 pandemic. And aid can be a key tool in these efforts. Take the Global Partnership for Education (GPE), a multilateral, grant-based initiative that has provided education to over 227 million children since 2021 and provided training to 481,000 teachers in 2023 alone.[71] All backed with aid money.

Recent research by the Expert Group on Aid Studies also shows that aid spurs the expansion of social protection systems in aid-eligible countries, with a 1% increase in aid for social protection leading to a further 0.25% of the population being covered[72]. In concrete numbers – based on 2022 aid levels – this means that every US$4m of aid put into social protection extends coverage to an additional 1.8 million people.[73]

For years, experts have been calling for the creation of a global fund for social protection that would provide reliable support for low-income countries' efforts to strengthen their national social protection schemes.[74] It is estimated that the financing gap between the total cost of providing a social protection floor and the actual spending was US$527bn in 2019 for low- and middle-income countries as a whole, with low-income countries representing just 5.6% of the amount of this gap, or US$26.8bn.[75] To put this in context, the amount needed to close the financing gap for LICs represented about 17% of the total ODA in 2019.[76] This is an affordable cost if we take into account the fact that actual aid levels are far below the pledge to reach at least 0.7% of rich countries' GNI, and that funding sources beyond ODA could also be explored to finance this global fund.

Aid can also play an important role in supporting the social reorganization of care work. It is vital that aid is part of the broader effort to reorient our economies around what matters to people (and the planet). This includes funding quality public care services and supporting decent, well-paid care work alongside universal social protection.

The reality of aid for social protection and public services

Despite all of the above reasons for keeping aid for social protection and public services high on the agenda, funding remains extremely low. In 2023, global aid for social protection barely reached US$4.7bn – a mere 2% of total ODA and a marginal increase from 2022 levels in a longer trend of stagnation. The share of total ODA allocated to education stayed at similar levels at around 5.9%.[77] With regard to aid for basic education specifically, this amounted to just 1.4% of total aid in 2023. And – after increasing between 2020 and 2022 due to the pandemic – ODA for health experienced a significant decrease in 2023, now representing around 6.4% of total ODA.[78]

Furthermore, aid policies frequently prioritize short-term, measurable outcomes over the systemic, long-term investments needed for sustainability, and are prone to volatility due to changes in funding streams.[79] Stronger focus is particularly needed to ensure the availability of adequate numbers of trained, qualified and motivated teachers and health workers. The abundance of initiatives focusing on specific issues, particularly in health, also risks fragmentation and inefficiency.[80] Examples include the proliferation of donor-funded vertical health programs (e.g. HIV/AIDS, malaria) that do not always integrate well with primary healthcare services,[81] and multiple fragmented social assistance schemes that fail to create a coherent safety net.

The impacts of aid on strengthening progressive tax systems

Progressive tax systems that effectively tax capital, corporations and the wealthiest are essential to reducing inequality and generate far greater resilience in face of economic crises. Yet in the past decade, this type of taxation has been in decline, while the burden on households has increased.

Progressive taxes not only represent a powerful redistribution tool themselves, but they also boost the resources available for accountable public spending. The Domestic Resource Mobilization (DRM) agenda is central to the achievement of the SDGs, and in 2015, the Addis Tax Initiative (ATI) – a platform bringing together different development actors to push for a stronger DRM in partner countries – was established.[82]

Box 2: Learning from the COVID-19 crisis

The pandemic made clear the need for strong, responsive social protection and universal public services, leading to the largest scale-up of social net transfers in history.[83] Despite claims that we were 'all in the same boat,' the reality was starkly different: some navigated the crisis in yachts, while others struggled in tiny rowboats.

Countries with pre-existing social protection schemes were better placed to respond to the pandemic quickly and effectively.[84] In countries like South Africa, a Temporary Employee Employer Relief Scheme was established as a special function in the permanent social insurance national Unemployment Insurance Fund. This allowed to support over 4.5 million workers temporarily laid off by the lockdown measures. The state also refashioned a little used social assistance cash transfer category in the Social Assistance Act known as the Social Relief of Distress grant to make regular payments available to unemployed working age adults during the Covid-19 lockdown. This provided immediate relief to over 6 million adults, many of whom were workers in the informal sector that was closed down due to the very strict lockdown laws.[85] In Ethiopia, where food insecurity issues had formed part of the country's development challenges for decades, the existence of a scalable safety net was used to channel additional resources to those affected by the containment measures against the virus, especially poor urban households vulnerable to unexpected food price rises.[86]

However, low-income countries (LICs) faced additional challenges in providing a comprehensive, fast-acting social security net. High informality rates (especially among women and marginalized groups), as well as a reduced fiscal space, made it difficult for LICs to provide widescale social protection measures.[87] Globally, 2.7 billion people who required support to face the crisis did not receive any,[88] and, as a consequence, between 88 and 115 million people were pushed into extreme poverty in 2020, the majority in LICs.[89]

The outcome was also distinctly shaped by gender and other intersecting forms of inequality. Women, overrepresented in the hardest-hit sectors, saw decades of progress around inclusion in the paid labour force reversed. In LICs, 92% of women work in informal, dangerous or insecure jobs without social protection.[90] Pandemic responses largely failed these groups. Additionally, the increase in unpaid care work, which was already significant before COVID-19, exacerbated,[91] particularly affecting single mothers, women in poverty, and racially and ethnically discriminated groups.

These factors partially explain why middle- and high-income countries are back at pre-COVID poverty levels, while low-income countries have still not closed the gap, and some experienced an increase in poverty rates between 2022 and 2023.[92]

However, aid for DRM remains scarce. One of the ATI's commitments was to mobilize US$441m of DRM-focused aid annually, a target that has not yet been met, with just US$345m given in 2022.[93]

But DRM is not only about collecting more money; it is about collecting revenues more fairly.[94] This is where DRM cooperation can play a catalytic role. The new ATI Declaration 2025, jointly developed by its 63 member countries and supporting organizations, states:

'In support of SDG 17.1.1 and SDG 10.4.2, we will work together to gradually strengthen progressive revenue sources and advance the level of progressivity within tax and non-tax revenues.'[95]

Rebalancing taxation towards greater progressivity is largely a political decision, but also a matter of capacity. Through aid, donors can support partner countries in overcoming institutional impediments and political economy constraints to implementing nationally-led progressive tax reforms. Donors and governments should be prioritizing cooperation that strengthens progressive revenue sources such as wealth, corporate income, property and personal income of high-net worth individuals, and extractive industries. It should also aim to reduce wasteful and regressive tax incentives. However, based on Oxfam analysis of the latest ATI data (2022), only 18.5% of total DRM cooperation was focused on these six areas.[96]

> Through aid, donors can support partner countries in overcoming institutional impediments and political economy constraints to implementing nationally-led progressive tax reforms.

There is significant room for improvement. This can be achieved by supporting policy reforms, tax administration and technical cooperation across these six areas, as well as investing in subnational governments to increase local revenue streams. The DRM agenda can also promote investment in the citizen-state compact by supporting local civil society organizations (CSOs) and academic researchers in their role of overseeing their government's fiscal policies.[97] Unfortunately, less than 1% of aid for DRM has been allocated to these local actors.[98]

One specific intervention that aid donors could support would have a significant impact on reducing inequality and raising much-needed revenue: the establishment and maintenance of high-net-worth individual (HNWI) tax units. That is, dedicated offices within tax administrations to engage this group and ensure they are taxed fairly. Not only can this increase progressive revenue mobilization, but it can also help tackle gender biases. As of 2022, 89% of ultra-HNWIs globally were men,[99] and if they are not taxed effectively, the bill is passed on to poorer households, where women make up a much larger percentage. For evidence of the benefit of this taxation, we can look to Uganda.[100] Just one year after the 2015 introduction of a reform aimed at boosting tax revenue from HNWIs, the Ugandan government saw an increase of more than US$11m in tax revenue from this group.[101]

In addition to increasing aid for DRM and prioritizing progressive taxation, donors must recognize that their own policies can undermine or completely negate DRM goals. Policy coherence is essential. For example, donors must stop supporting regressive tax policies, such as increases in VAT, that hit women and people living in poverty hardest. They can also no longer shy away from policy reforms or changes to international institutions and agreements, like the recently adopted UN Tax Convention. These can help combat global tax avoidance and bolster taxing rights of low-income countries, as well as giving those countries an equal say in tax policy.

The impacts of aid on gender equality and justice

There is no way to understand today's levels of inequality without also considering how it interacts with gender and other intersecting forms of inequality and discrimination. When we talk about economic inequality, we are also talking about the higher concentration of income and wealth in the hands of men; about gender pay gaps, with women experiencing lower wages and higher job insecurity; about women being overrepresented in the informal sector and having low levels of labour rights; about unequal access to public services; and about disproportionate levels of unpaid care work. At the global level, women earn just US$0.51 for every dollar earned by men as labour income.[102] Women also continue to spend 2.8 hours per day more than men on unpaid care and domestic work,[103] a figure that shot up during the COVID-19 pandemic and around which there is very little progress on the horizon.[104] The commodification and exploitation of women's labour – often poorly paid and made deeply insecure by the corrosion of labour regulations within market-driven globalization – underpins gendered economic inequality.

Inequality is also reflected in the capacity to influence or participate in decision-making at national and global levels. Today, women barely occupy a quarter of seats in parliament globally.[105] The systematic exclusion of women and underrepresented groups from the corridors of power results in laws and policies that reinforce and exacerbate the drivers of gender inequality . Again, the COVID-19 response provides a harrowing example of the deadly impacts of gender-blind policies, with women and their needs conspicuously missing from policies to address the pandemic.[106]

The systematic exclusion of women and underrepresented groups from the corridors of power results in laws and policies that reinforce and exacerbate the drivers of gender inequality.

Box 3: On aid and beyond, bold action is needed to combat the global backlash to gender rights

We are now witnessing an escalating global backlash against gender equality and rights,[107] driven by the rise of anti-rights groups across both rich and poor countries and in multilateral spaces.

For example, the Gambia, which had prohibited female genital mutilation in 2015, is being spurred on by conservative groups to reverse this hard-won ban. And in Afghanistan, the UN has highlighted the systematic violations of women and girls' rights, describing the situation there as one of 'gender persecution' and 'gender apartheid'.[108]

Fortunately, the idea of feminist aid or feminist foreign policy is gaining ground in several countries, and in 2020 the EU adopted its Gender Action Plan III as a framework for promoting gender equality and women's empowerment throughout its external action. These measures set the right tone but are still lacking sufficient political and budgetary support.

Greater ambition is also required to ensure that development cooperation is truly feminist and decolonial. It is simply not enough for donors to talk about 'considering women'. They must find the political will to tackle underlying systems of inequality and oppression.

Investing in aid that tackles the structural and root causes of gender inequality is essential to making progress towards both economic and social equality, as well as towards achieving the SDGs and the 2030 Agenda.

Oxfam's WE-Care Initiative, for example, is a multi-country programme that addresses unpaid care and domestic work as a key element in realizing gender equality and economic development. Between 2017 and 2019, WE-Care implemented a pilot project in Zimbabwe and the Philippines to reduce the intensity and duration of unpaid care tasks borne by women and girls, allowing them to have greater choice on how they spend their time. Ultimately, this influences their capacity to engage in social, economic or political activities. As a result, by the end of the project, the women reached were spending two hours less a day on unpaid care work in the Philippines, and one hour less in Zimbabwe.[109] In addition to recognizing, reducing and redistributing care work, a transformative approach brings this recognition at community and society level, with a systems approach that also ensures paid care workers are fairly rewarded and represented in the world of work.[110]

Aid can also play a decisive role in removing barriers that prevent women from exercising their power, which is increasingly important today in order to counter the regressive trends undermining gender rights and justice. UN Women's Spotlight Initiative, which aims to respond to all forms of violence against women and girls, provides a good example of how progress can be made. In Uganda, where the Initiative works with gender-based violence survivors to advocate for their rights, almost 300,000 people have attended community programming on women's rights and violence prevention.[111] Donors could do more to invest in, learn from and scale up such initiatives.

The reality of aid for gender equality and justice

Donors' allocation of aid to promoting gender justice is far off track. After almost a decade of progress, aid targeting gender equality is now decreasing in relative terms, stalling at 42% of all bilateral ODA in 2021-2, with just 4% naming it as a principal objective .[112] This figure also obscures important differences between countries; for example, more than 75% of aid from the Netherlands and Ireland targets gender equality, whereas for others like Greece, Slovenia, Poland and Estonia the share is less than 10%.[113]

The impacts of aid on strengthening civic space

The more unequal a society is, the more those at the bottom are excluded from the decision-making process on policies that directly affect

After almost a decade of progress, aid targeting gender equality is now decreasing in relative terms, stalling at 42% of all bilateral ODA in 2021-2, with just 4% naming it as a principal objective.

them. Wealth concentration is often synonymous with power capture, with the richest influencing policies in their own favour. High inequality is therefore incompatible with a fair and successful democracy.

An active citizenship is essential for strengthening democratic systems and enhancing accountability in order to counter-balance the power of money, and ultimately to reduce inequality.

This is yet another area where aid can play a role – by supporting civil society organizations to actively shape policy and practice, and to hold their governments accountable. For this to happen, strong support must be offered to civil society movements so they can engage in meaningful dialogue with decision-making institutions at the local and national levels. The EU-funded INSPIRED programme, for example, promotes the inclusion of CSOs (mostly local organizations) in policy dialogue in more than 15 countries.[114]

Investing in women's rights organizations (WROs) and feminist movements is another area of particular importance in tackling gender and other forms of inequality. In Guatemala, for example, programs to end violence against women – funded by the UN, SIDA, and others – support local organizations to ensure women and girls who have experienced gender-based violence (GBV) can access justice and advocate for a stronger legal framework. As a result, proposals for several regressive laws targeting the rights of women and girls have been reversed, and a new law reinforcing the role of the national platform to prevent violence against women was passed.

Supporting civil society in contexts where civic space is being constrained is also crucial, given that today 30% of the world's population lives in countries with closed civic space – the highest share in decades.[115]

The reality of aid in strengthening civic space

However, the amount of aid in support of CSOs is far from enough. In 2022, total aid channelled through CSOs was US$22.4bn (11.6% of all bilateral ODA). Direct support to civil society, however, was just US$2.5bn, representing barely 1% of all bilateral ODA and a decrease for the third consecutive year.[116] Funding for WROs and feminist movements is also clearly given low priority in aid: WROs receive only 0.13% of all ODA – and, perhaps most shockingly, WROs receive only 0.4% of all gender-related aid.[117]

There are other worrying imbalances here that donors must also address. For example, aid for donor-country based organizations was almost seven times higher than that in favour of developing-country based ones (US$16.4bn versus US$2.5bn). This highlights the need to scale up support for those working on the frontline – in and with communities in recipient countries – and calls for greater reflection from INGOs on their role.

1.3 What aid should not do: avoiding aid modalities that increase inequality

Despite its enormous potential to reduce poverty and inequality, aid can become a harmful instrument when allocated or implemented wrongly. Some trends that are apparent today are very concerning.

Aid is not for private profit

Over the last decade, the narrative that public resources are not enough to close the financing gap to meet the SDGs has been used to drive ever-greater involvement of the private sector in development. The result is that donors are increasingly subsidizing private actors to operate in contexts where, allegedly, they would not otherwise operate and where they are needed to fill a gap.

Many donors rely blindly on this approach and have been pushing to create incentives for the use of private sector instruments (PSI) in aid. In 2023, after years of negotiations, the OECD DAC finally approved the rules for reporting on PSI as ODA.[118] These new rules essentially loosen the requirements for certain modalities, like guarantees or blended finance, to qualify as aid when it does not involve any disbursement from the donor, or even when it is a for-profit commercial operation.

There are numerous examples of the risks posed by this kind of engagement with the private sector. The health sector case is particularly illustrative. Across low- and middle-income countries, aid-backed projects to deliver healthcare through private companies are having disastrous consequences for the population. Recent Oxfam research found multiple cases where patients seeking care in aid-backed private hospitals were imprisoned until bills were paid, denied access to government health insurance schemes or denied emergency medical care.[119]

Diverting aid and other forms of development finance to for-profit private hospitals is exacerbating the problem of unaffordable and unjust health user fees, pushing many into poverty or forcing them to avoid seeking care. In Nigeria, for example, 90% of women living in poverty give birth without any medical attention, yet in one aid-backed private hospital the cheapest childbirth fee would cost someone in the poorest 10% the equivalent of 12 years total income.[120] Governments committed to bringing down out-of-pocket (OOP) health spending as part of the SDGs, but in 2018, OOP health spending comprised approximately 40% of current health expenditures in low-income and lower-middle-income countries.[121] The proportion of people facing financial catastrophe because of these expenses is consistently rising year on year.[122]

Another key sector where private investment can have adverse effects is education. In 2022, an independent evaluation of the International Finance Corporation (IFC), the World Bank's private investment arm, acknowledged that 'there is potential for investments in private K-12 schools to exacerbate inequality and have unintended, undesirable spillovers in the public sector school system.'[123] This evaluation was a result of Oxfam and 22 other organizations' efforts to raise awareness about the negative outcomes of this approach, especially when backed by aid funding. As a result, the IFC announced that it would not resume its investments in private K-12 schools. Similarly, and before the IFC case, the Global Partnership for Education also agreed on a private sector strategy that prohibited its funding to support for-profit provision of core education services.[124]

Aid should not serve the political and economic interests of donors

In recent years, aid has been increasingly co-opted by donors' domestic and geopolitical interests, adopting either a purely commercial approach or a security narrative.

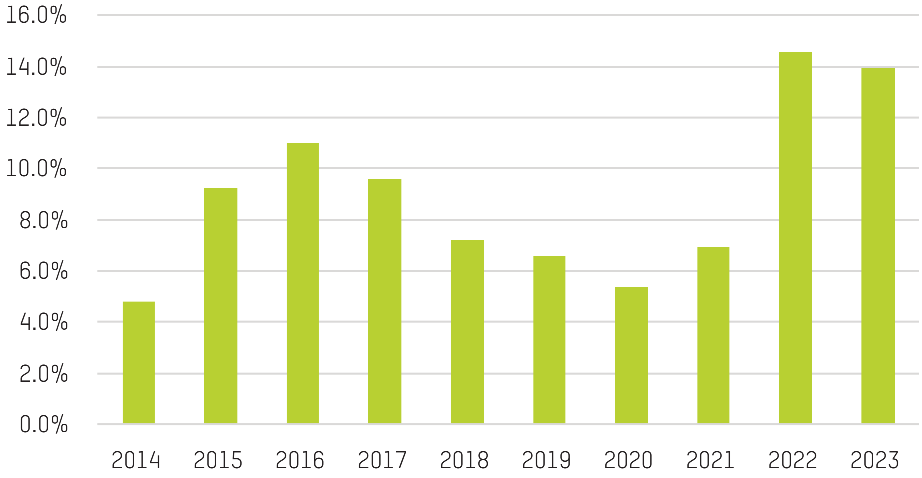
One significant and worrying example of this is the treatment of spending on migration-related aid. For some donors, aid is used as a tool to limit the arrival of migrants to their borders, perpetuating an unfair (but also ineffective) approach to migration and undermining the integrity of aid . For example, the EU's long-term aid budget has an indicative spending target of 10% on migration-related activities, and a 93% ODA commitment[125]. Oxfam research has shown that, based on the OECD's guidelines, one-third of the NDICI-funded migration management activities in three case study countries in northern and western Africa risk breaching international aid rules.[126] In these cases, they appear to prioritize the EU's domestic migration concerns over the economic welfare of partner countries, such as instances of capacity building of border guards and border management. In 2022, the OECD DAC provided further clarification on the eligibility of migration-related activities as ODA.[127] Here, they acknowledge the potential risks for aid integrity, yet allow for activities like returns or reintegration programmes to qualify as aid. This type of aid use is part of a trend towards broadening and diluting ODA rules, one also apparent in the use of aid for policing and counterterrorism, which was last agreed as permissible by the DAC in 2016.

For some donors, aid is used as a tool to limit the arrival of migrants to their borders, perpetuating an unfair (but also ineffective) approach to migration and undermining the integrity of aid.

Another concerning example is the use of aid to cover the costs of providing support to refugees and asylum seekers in donor countries. This practice was first allowed in 1988 by the OECD DAC, with these costs representing almost 14% of total aid in 2023[128] – a similar level from the previous year, when they escalated dramatically due to the war in Ukraine. While it is both a moral and legal obligation of countries to support people fleeing persecution and conflict, this is not development aid. It does not even fulfil the basic premises of the aid concept: it is spent within donor countries' borders and does not contribute to the reduction of poverty in partner countries or their economic development.

The DAC itself calls on its members to adopt a 'conservative approach' when it comes to reporting in-donor refugee costs as aid, as this is considered an 'exceptional' item in ODA.[129] However, not all members pay the same attention to this recommendation, and in recent years we have seen how these costs are completely distorting aid figures in some areas. In 2022, for example, in-donor refugee costs reported as ODA were higher than total aid for LDCs.[130]

Graph 2: In-donor refugee costs as a share of total ODA



Source: OECD DAC CRS database

Aid should not exacerbate debt

Today, most low- and middle-income countries are spending as much on debt services as on healthcare, education and social protection combined.[131] In fact, in 2023 the net finance flows to countries in the Global South turned negative – that is, they were paying more on interest and debt reimbursement than what they received in fresh loans and aid.[132]

Some bilateral donors have heeded the lessons of the Highly-Indebted and Poor Countries (HIPC) initiative in the late 2000s and early 2010s, and now mainly provide aid in the form of grants to prevent another debt crisis. But others have not. Moreover, new lenders (including from both non-Paris Club official creditors and private creditors) have profited from the clean financial sheet that the HIPC initiative produced by lending too much. Now, many poor countries stand on the brink of bankruptcy again, with 37 out of 67 countries subject to the World Bank and IMF's Debt Sustainability Analysis Framework either at high risk of or in debt distress.[133]

Furthermore, graduation policies of multilateral development banks contribute to undermining debt sustainability. GNI per capita is insufficient as a main criteria guiding graduation, since it ignores other factors such as the indebtedness level of a country. This is the case for the World Bank, for example, where hasty graduations from IDA to IBRD (the concessional and non-concessional arms of the World Bank, respectively) pushes lower-middle-income countries to borrow from expensive private sources and increases the risk of defaults.

Finally, the way ODA loans are counted also impacts donors' incentives to rely more on loans to provide their aid. In 2018, the DAC adopted a grant-equivalent methodology to count ODA loans, instead of counting them at face value, as had previously been standard. While this could, in principle, better reflect donor effort in the provision of loans, the agreed criteria for assessing the concessionality of loans are excessively generous for the donor, allowing for barely concessional loans to qualify as aid and incentivizing its use in detriment of grants.

Despite all of this, a significant share of total aid is still being disbursed in the form of loans,[134] even to countries at risk of or in debt distress. This is contributing to over-indebtedness rather than to the alleviation of debt-stressed countries, and directly exacerbating the inability of states to fund the vital public services and social protection that are critical for marginalized people and people living in extreme poverty.

CHAPTER 2: TOWARDS A DEMOCRATIC AID SYSTEM

How aid decisions are made is as important as where it is allocated. Which sectors and modalities are prioritized; who implements the projects; and even how aid is defined are all of great importance when it comes to putting aid on track to reduce inequality and maximizing its effectiveness in tackling poverty. In the following sections, we present a critical view of the current governance structure of the aid system, and provide a way forward for a more inclusive, democratic and accountable aid.

2.1. The issue of who decides

The problems with the current governance system

What counts as aid, and how it is counted, matter. The main organization responsible for setting the rules and standards in this regard is the OECD's Development Assistance Committee (DAC), which holds the monopoly over the definition and monitoring of ODA. The first problem with this is its representation: the DAC is a donor-only club, with 32 members as of 2024, all of which are high-income countries (plus the EU). They, and only they, are the main authority on aid issues, without the inclusion of partner countries' governments or civil society in the decision-making. This structure was established in 1961 and has remained almost unchanged since then. It reproduces a colonial vision of the world, where rich countries define and decide the aid framework and rules. If we are serious about reducing inequality, we also need to look at these structures and dynamics that perpetuate aid's deeply unequal governance system.

A good example of the problems this arrangement can cause is the recent ODA modernization process, launched by the DAC in 2012.[135] This was an attempt to respond to the increasing complexity of the financing mechanisms for aid and the emergence of private investment, adapting the rules for aid reporting from OECD donors to the new context.[136] Driven primarily by the views and interests of DAC members, however, it has allowed for the inclusion of activities with no developmental impact – and even purely commercial operations – as aid, as well as expanding the ways in which aid money can remain in donor countries (see Chapter 1). Moreover, these new rules incentivize loans over grants, as they respond to donors' public deficit containment objectives over any other development and global justice objectives. These outcomes have been heavily contested by CSOs and partner countries.

Concerns around the DAC's legitimacy have been an issue almost since the creation of the institution in 1961. In recent years, several initiatives have emerged to challenge this and allow for a more inclusive dialogue on development cooperation. For example, the creation of the Global Partnership for Effective Development Cooperation (GPEDC)[137] in 2011 established the coordination between the DAC and the UNDP, and included actors that were previously considered secondary – namely emerging donors. The DAC has also made some moves in response to critiques. For example, in 2018 it embarked on a process to open up its decision-making, with a profound revision of its Global Relations strategy and the adoption of a dialogue framework with civil society.[138] While these are positive initiatives, they do not get to the heart of tackling the true power imbalances in the aid system.

Challenging the roots of a rotten system

Conceived at the same time that independence movements and decolonial thought flourished in most parts of the world, international development cooperation, with aid as its cornerstone, was established as a way to alleviate poverty and reduce the inequality gap between a wealthy and industrialized Global North and a poor and 'underdeveloped' South.

At the time, there was no recognition of the direct effects of colonialism on the communities and countries aid was expected to support. The logic and narrative of charity rather than justice prevailed and has remained at the heart of the international cooperation system ever since. But the very problem aid was conceived to solve – the significant gap between the Global North and South – was evidently caused by colonial exploitation and injustice.

Moreover, the so-called North represents a failed development model: its reliance on extraction and its ecological footprint are completely unsustainable in the long-term and directly undermine the Global South's capacity to follow its own development path. The realization that development goes well beyond mere GDP growth and the incorporation of sustainability are among the most profound changes in the way we conceive development cooperation today, yet a lot remains to be done.

In this context, it is important to recognize that aid remains the main tool (outside market logic) for a global redistribution of resources. But for it to be truly effective, we need to go one step further and embed future aid and development cooperation into redistribution that takes past exploitation into account. For decades, many Global South partners have called for aid to be a part of the reparatory justice framework addressing the damages inflicted by centuries of colonialism . The legacy of colonialism is in force today through new forms of economic, commodity, population and talent extraction. Colonial visions and practices still operate inside the aid system too, and the need to rebalance power is apparent. Even the DAC has brought this up for debate in its 2023 Development Cooperation Report, which focused on 'debating the aid system'.[139]

For decades, many Global South partners have called for aid to be a part of the reparatory justice framework addressing the damages inflicted by centuries of colonialism.

To do so, we first need to reverse the dynamics that have governed the dialogue between recipient and donor countries so far by placing the former at the centre of decision-making; respecting the priorities and development objectives established by the countries of the Global South; and revoking the Global North's exclusive access to decision-making spaces. In other words, ending the monopoly that the DAC has had over the definition and monitoring of aid until now and rethinking its role in the overall aid governance architecture.

Putting partner countries' governments and citizens in the driving seat, especially those groups whose voices are often ignored or undervalued, like Indigenous peoples, women, LGBTQIA+ people and people with disabilities.

In terms of principles, we need to start by looking at the principle of democratic ownership – not only in deciding on aid allocations, but in defining what counts as aid. This means putting partner countries' governments and citizens in the driving seat, especially those groups whose voices are often ignored or undervalued, like Indigenous peoples, women, LGBTQIA+ people and people with disabilities.

On the operational side, one way to begin is by moving to the UN system. While imperfect, a global forum where all states have a voice is a far more inclusive starting point than a donor-only club. Spaces like the Development Cooperation Forum (DCF) or even the GPEDC are positive steps, but we need to go beyond these. A truly transformational approach could transfer the core mandate over the definition of aid to the UN, with a dedicated, well-resourced body steered by countries in the Global South as the basis for its action. Several organizations have been asking for years for the creation of a specific UN Convention on International Development Cooperation,[140] a step forward that could be taken in the upcoming 4th Conference on Financing for Development in 2025.

In this scenario, the DAC would also remain a crucial actor due to its technical expertise, convening capacity and peer learning and evaluation dimensions. These attributes are also part of its original mandate[141] and constitute a highly-valued asset for the effective monitoring and accountability of aid provided by donor countries.

2.2 How should aid be given: the importance of locally-led development cooperation

Beyond the issue of who gets to define what aid is, it is also of great importance how aid decisions such as sectoral allocation, funding channels, and implementation modalities are made.

The term 'localization' is widely used in international policy circles to describe the goal of strengthening the role of local actors in humanitarian and development action. Locally-led development (LLD) is a way of expressing that local actors should be setting the agenda, deciding where aid should go and how it should be implemented. Therefore, localization entails recognizing the existing knowledge and capacities of local actors, following their leadership and ultimately shifting power and resources in the aid system to them.

The localization agenda can therefore serve as a valuable guide to the reforms needed in the aid system, helping to ensure decisions are informed by those directly affected by development challenges.

Currently, momentum is gathering among donors around efforts to advance the localization agenda. In 2022, 21 donor countries as well as several private foundations signed a statement in support of LLD.[142] Subsequently, in 2024, the OECD DAC published the results of a peer learning exercise that examined approaches to promote LLD and provided suggestions for potential ways to advance localization.[143]

The challenge of establishing a common understanding of localization and what LLD means across donors remains a significant barrier to progress. The OECD DAC[144], some donors like the US[145], and CSOs have all provided their own definitions of LLD and their understanding of how to implement it effectively. These definitions are contested for various reasons, including the degree to which they stress the need for reform of the current aid system. For example, within the US context, Oxfam has highlighted the need for the United States Agency for International Development (USAID) to adopt a stricter and more consistent definition of 'local actor' in order to measure the Agency's localization commitments.[146]

Box 4: The Local Engagement Assessing Framework (LEAF)

Oxfam and Save the Children have developed an analytical framework that has served as a tool for policymakers, practitioners and outside stakeholders to systematically assess progress on localization. The Local Engagement Assessing Framework (LEAF)[147] proposes a three-branch approach, assessing:

- Who is involved; that is, the local stakeholders engaged in each phase of a project
- In which phases local actors can effectively exercise influence
- How this influence is exercised and the quality of the engagement opportunities

While it is not a normative framework, LEAF provides the basis to assess how to go from traditional practices – where local actors are merely informed about the project, including its phases, objectives and impacts – to a stage of delegated power, where the inherent power of people and communities is recognized. Here, it is the local partners who take the lead on decision-making within a series of agreed priorities and objectives.

Significantly, USAID demonstrated the utility of the LEAF in a bilateral donor context when it adopted the framework as an example in producing its own Locally Led Development Spectrum and Checklist Tool.[148]

While there have been important advances related to the localization agenda among development donors, significant challenges remain. First, the degree to which bilateral donor systems can support a significant increase in direct funding to local organizations remains unclear.[149] For example, although USAID set a target of providing 25% of its programme funding directly to local actors by 2025, direct funding levels fell from 10.2% in 2022 to 9.6% in 2023.[150]

Second, agreeing to a common definition and understanding of what LLD means is not an easy task, as noted above. In this sense, the work of the OECD DAC's Community of Practice on Civil Society sets a good example. However, in line with the increasing calls for the democratization of these conversations, the DAC needs to open up to broader perspectives, most notably to local actors themselves, whose voices remain rarely heard in these spaces. In particular, such discussions need to centre the knowledge and voices of women and girls in all their diversity, of LGBTQIA+ communities, and of racialized and minoritized communities.

CHAPTER 3: AID QUANTITY MATTERS: HOW MUCH IS ENOUGH?

The objective of allocating 0.7% of rich countries' Gross National Income (GNI) to ODA, the main and most relevant existing aid quantity target, was adopted by the UN General Assembly in 1970.[151] At the time, OECD DAC countries generally accepted and committed to this goal. The first deadline was 1975. Then it was the end of the 1970s, then the end of the millennium, then 2015, 2030... Today, the target has never been met internationally, with just a few donors achieving it since 1970.

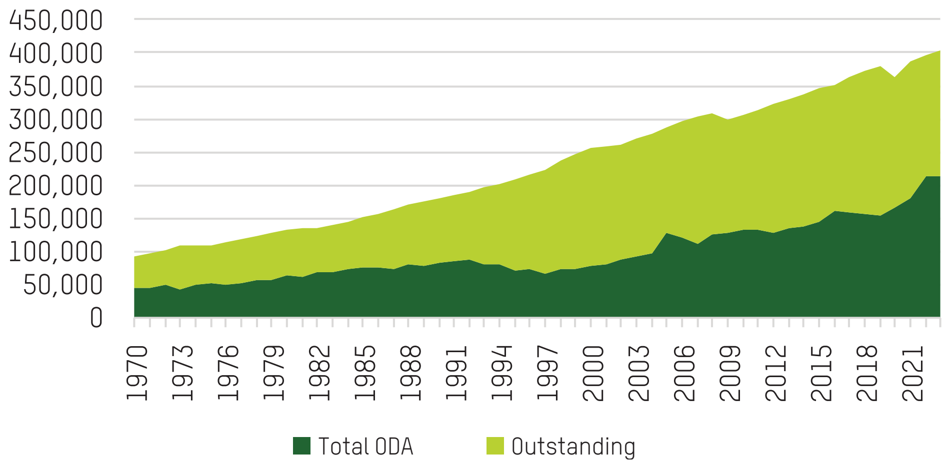
Sweden, Norway, Luxembourg, Denmark, the Netherlands, Germany and the United Kingdom are the only countries that have ever met or exceeded the 0.7% target. But in recent years, we have seen worrying trends across most of them: Sweden and Germany are drastically decreasing their ODA; in 2020, the UK lowered its self-imposed legally-binding target from 0.7% to 0.5% for an indefinite period; and the Netherlands' newly elected government has already announced sharp cuts to its aid budget.

In addition, some countries that have never reached the target, but were making significant progress, are taking a step back by cutting their aid spending. France, for example, had committed to reaching the 0.7% target by 2025 and was rapidly advancing towards it, but ODA fell by almost 11% between 2022 and 2023, with further cuts planned in the coming years. And in Belgium, the newly elected government has already announced it has abandoned its intention to reach the 0.7% target anytime soon .

As a result of donors failing to keep their promises for more than 50 years, our analysis found they have underpaid aid to the tune of US$7.2 trillion in current terms .[152] Essentially, OECD countries have a huge unpaid bill on their accounts. Furthermore, this figure is based on a highly generous estimation of aid contributions, as it includes many elements of very poor-quality aid that Oxfam and the majority of CSOs have consistently demanded be excluded due to their lack of alignment with partner countries' development objectives.[153]

Graph 3: On the 'aid debt'

Total and outstanding ODA (1970-2023)



Source: Oxfam's calculations based on OECD DAC CRS database. See Footnote 152.

The 0.7% target is just the beginning

Until now, much effort has been devoted to finding ways to reach the 0.7% goal. It is seen as a finish line, after which a country can claim they are doing their part. Given the failure of donors to meet their commitments, this emphasis is understandable; it is right to hold them to account. But approaching 0.7% as a hard ceiling for aid investment has some problematic effects.

A paradigmatic case is that of the United Kingdom. In 2013, the country approved a legally binding target for ODA to reach exactly 0.7% of its GNI. While aid quantity certainly increased, the measure had the opposite effect with regard to aid quality. Since then, in-donor expenditure has risen alarmingly, and the UK has also pushed the DAC to reform the rules for ODA reporting, allowing them to include more and more elements that help them meet their target, which it must do to approve the yearly national budget.

This is not the right way to approach aid. Aid is a yardstick against which to measure how much a country is willing to invest for the greater good – a reflection of donors' commitment to international prosperity and to a more equal and sustainable world. And, as we argue throughout this report, it is also a matter of reparatory justice.

Hence, looking forward, the approach to aid must evolve to a place where 0.7% is the baseline for contributions from rich countries, and where quality is paramount. It should be the starting point for a more ambitious, just and honest answer to the question of how much aid is truly needed: to build a more equal and sustainable world without extreme poverty and inequality; to ensure all countries achieve their development goals; and to compensate for decades of broken promises, as well as historic and present colonial injustices.

Aid and climate finance

But there is yet another key reason for greater ambition: the undeniable truth of climate crisis. Back in the 1960s, when the 0.7% aid goal was first being discussed, environmental and climate concerns were not part of the conversation. Today, these are unavoidable issues that must be taken into account for the future of international cooperation.

Already in 1992, at the Rio Convention, most states agreed on the need for what were then defined as 'developed' countries to provide climate finance to 'developing' countries to tackle the consequences of climate change and achieve sustainable development. In 2009, high-income countries made a pledge to increase climate finance to reach US$100bn a year by 2020. In 2015, it was agreed that this target would be maintained through to 2025 and a new goal would be set for the period after 2025. In November 2024, at COP29, high-income countries committed to increasing climate finance to US$300bn by 2035, a wholly inadequate amount compared to the scale of the challenges and the responsibilities of the richest countries.

Efforts to mitigate the adverse effects of climate change, to adapt to it, or to repair the effects of climate-related disasters (loss and damage) have crucial links to development. It is not surprising then that aid is an important source of overall climate-related assistance provided by high-income countries. However, ODA activities are increasingly incorporating climate as principal or significant objectives without donors providing this as 'new and additional' funding. Furthermore, the definition of how this additionality is technically measured remains unclear; for now, it is left to high-income countries' own definitions. In other words, it is further stretching already inadequate aid contributions to meet a rising number of global needs and responsibilities, and with donors trusted to police themselves on this vital matter.

Measuring the scale of needs to determine the adequate level of climate finance is not an easy task, but it is clear that neither the 0.7% aid promise, nor the US$300 billion climate finance commitment, come close to being able to meet it. In fact, the annual climate finance needs for the Global South are estimated at US$2.8 trillion per year, a figure that can be disaggregated by:[154]

- Adaptation finance: US$380bn
- Loss and damage: US$500bn
- Mitigation finance: US$1.9 trillion

In addition, Oxfam and allies estimate that the Global North owes the Global South at least US$5 trillion in climate debt and reparations[155] due to centuries of colonialism, exploitation, and the destruction of nature and people.

Aid is one important way for rich countries to fill these financing gaps, but of course other financial flows will also be needed to meet the full scale of much-needed – and *owed* – climate finance to the Global South.

What to do now: how much is enough aid?

Donors have failed to meet and maintain their 0.7% aid promise; have eroded aid quality, undermining the effectiveness of their taxpayer's money; and have diluted aid further by using it to tackle the climate crisis without providing new and additional resources.

Donors must acknowledge their aid debt towards partner countries, built up by years of shortfalls on their 0.7% promise, and commit further resources to start paying off this bill. They could raise the additional finance needed to do so by increasing taxes on the wealthiest individuals and corporations. They could also reallocate Special Drawing Rights (SDR) to low and middle-income countries[156] – as many have demanded, especially since the historic issuance of US$650 billion in 2021 – and offer support for future SDR issuances.

But it is also clear that today's world demands a new aid quantity target that takes 0.7% as a baseline, rather than enough to meet the entirety of low-income countries' needs or donor responsibilities. Acceptance of the 0.7% target was possible due to the right combination of political will, expertise and ambition. We urgently need to see the same level of commitment now, and agree to a new, more ambitious goal between all development partners, including Global South governments and civil society – a goal that puts the world on track for a more equal and sustainable future.

CHAPTER 4: RECOMMENDATIONS

Oxfam's 10-point plan to make aid fit for the future.

Prioritize aid for key sectors in inequality reduction

1. Set clear, time-bound plans to reduce inequality and fund a revolution in inequality data

Equipping development actors with the right tools to measure inequality and evaluate the impacts of their policies in this area is key. Current indicators to look at inequality levels within and between countries do not provide an accurate picture, as they ignore the upper end of the scale. Furthermore, they do not disaggregate by gender or any other type of inequality.

Building upon existing indicators like the Gini and Palma ratios, donors could fund the development of more accurate tools to measure inequality – both income and wealth – and to collect data on gender and other forms of inequality, as well as supporting partner countries' governments in their inequality reduction planning.

2. Invest in strengthening public services and social protection systems

Donors should increase their aid for education, health and social protection considerably, as these are proven to be crucial sectors in reducing inequality. They should provide predictable funding to strengthen public education and healthcare systems in partner countries, as well as the provision of universal services free at the point of use. They should also support a global fund for social protection that builds social protection floors in low-income countries. The total cost of such a fund was estimated at US$527 billion in 2019 for all low- and middle-income countries, with US$26.8 billion estimated for low-income countries. This global fund should be at least partially financed by aid.

3. Strengthen tax systems

Donors should step up their aid for Domestic Resource Mobilization (DRM), in line with the Addis Tax Initiative's (ATI) commitment to mobilize at least US$441m for DRM cooperation. In fact, they should be aiming to surpass this minimum target.

In their aid for DRM, donors should prioritize cooperation on strengthening progressive revenue sources – such as wealth taxes, corporate income taxes, property taxes and personal income taxes on high-net worth individuals – as well as investing in subnational governments to increase local revenue streams. They must also avoid incentivizing regressive taxes.

4. Put on feminist glasses: strengthen support for gender-transformative aid

Donors should adopt a transformative approach that goes beyond the idea of 'considering women', and sees them prioritizing aid investments that tackle the structural and root causes of gender inequality. When given in this way, aid can also play a role in supporting women to exercise their power, which is especially important today to counter the global backlash against gender rights and justice.

5. Support civic space to strengthen the citizen-state compact and reinforce democracy

Donors need to support the protection and promotion of civic space, a key factor in strengthening democratic systems, as well as enhance the accountability of governments to counter-balance the power of wealthy elites to influence policies for their own benefit. This is particularly important given today 30% of the world's population lives in countries with closed civic space, the highest share in decades.

This means donors must step up funding for civil society organizations (CSOs), especially local CSOs who are at the forefront of crises and in direct contact with communities, and thus best placed to drive efforts to hold governments accountable.

Do no harm: avoiding aid modalities that increase inequality

6. Do not put aid at the service of private profit

When engaging with the private sector, donors need to ensure development is at the core of a programme's objective. They must avoid investing in private companies on education and health provision in order to maintain their vital role as essential public services.

They should also conduct an extensive independent review of the reporting rules for private sector instruments (PSI), which risk further discrediting the concept of ODA due to the inclusion of non-developmental and even for-profit operation as aid.

7. Do not instrumentalize aid

Donors must avoid using aid for other non-developmental, domestic interests, especially in the field of migration. Using aid funds as a tool to limit the arrival of migrants to their borders is an unfair (and also ineffective) approach to migration and undermines the integrity of aid.

Donors should also stop the reporting of in-donor refugee costs (IDRC) as aid. IDRC does not contribute to meeting the fundamental objectives of aid, as it is spent within donor countries' borders and does not promote the reduction of poverty or the development of partner countries. In 2023, IDRC represented almost 14% of total aid, completely distorting the picture of how it actually flows to partner countries.

8. Do not choose aid modalities that increase partner countries' debt

As a general rule, donors should prioritize grants over loans in their allocation of aid. When disbursing loans, they should go beyond the GNI per capita measure to assess the country's suitability for more debt, avoiding the provision of loans to over-indebted countries at all costs.

They should also review the way ODA loans are counted, as the current rules overstate the actual grant component, meaning barely concessional loans still qualify as aid. This is creating even more incentives for donors to rely on them, to the detriment of grants.

Finding a renewed approach to aid

9. Shift the power, decolonize aid

Donors should commit to a fundamental reform of the current aid governance system. In accordance with demands from many Global South partners, aid should be approached as a part of the framework for reparatory justice for the damages inflicted by centuries of colonialism.

To rebalance the current governance system of aid, the core mandate over the definition of aid should be transferred to a newly created UN International Development Cooperation Convention, where all states are represented. The OECD DAC should accompany this process, remaining a relevant actor for donor coordination, peer evaluation and learning.

10. Increase aid quantity commitments

For decades, donors have been grappling with meeting the 0.7% target they committed to more than 50 years ago. Most of them have never reached it, leaving an unpaid bill of US$7.2 trillion in current terms. Meanwhile, the true scale of needs has grown significantly, in part due to the challenge of tackling the climate crisis.

It is clear that the 0.7% goal is simply not enough. Donors should change their approach and redefine the 0.7% promise as a floor, not a ceiling. In addition, we urgently need political commitment to agree to a new, more ambitious collective goal between all development partners, including Global South governments and civil society – a goal that puts the world on track for a more equal and sustainable future.

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